



Testimony of
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Mr. Chairman and members of the Committee, good morning. My name is Athan Manuel, and I am the Director of Lands Protection for the Sierra Club. I am here representing more than 2.1 million Sierra Club members and supporters who belong to more than 65 chapters and 450 groups nationwide. We are the largest environmental grassroots organization in the country. I am very appreciative of the opportunity to testify this morning regarding H.R. 1613, the “*U.S.-Mexico Transboundary Hydrocarbon Agreement and Steps Needed for Implementation.*”

The Sierra Club has always been a strong champion of protecting our special places and enjoying and exploring our planet, but we are equally concerned with issues of worker safety. We saw those two issues intersect 3 years ago last week when the explosion of the Deepwater Horizon off shore rig killed 11 workers and caused the largest oil spill in United States history.

We see H.R. 1613 and the U.S. Mexico Transboundary Hydrocarbon agreement as a mixed bag. We support the idea of increased inspection of rigs operating in U.S. waters. However, we do not support the expansion of drilling into new areas.

We certainly agree with one of the goals of H.R. 1613, to promote domestic job creation, but think the best way to do that is by promoting domestic clean and renewable energy and energy efficiency.

I. Inspections

One goal of the Transboundary Hydrocarbon Agreement is to hold joint inspections of off shore drilling regulations.

The Sierra Club supports the reforms and regulations put in place by the Obama Administration, the Department of the Interior, the Bureau of Safety and Environmental Enforcement, and the Bureau of Ocean Energy Management in the wake of the BP Deepwater Horizon spill. Regulations that require operators to demonstrate that they are prepared to deal with the potential for a blowout and worst-case discharge, and mandating that permit applications for drilling projects must meet new standards for well-design, casing, and cementing, and be independently certified by a professional engineer per BOEM's Drilling Safety Rule.

We also support the guidance requiring a corporate compliance statement and review of subsea blowout containment resources for deep-water drilling. We hope all these standards will be applied to the nearly 1.5 million acres of the U.S. Outer Continental Shelf that could be leased as part of the Transboundary Agreement.

However, while these reforms have strengthened BSEE's inspection and oversight capabilities, funding levels remain far below what would be needed for frequent and thorough inspections. Low inspection rates not only undermine regulatory compliance by reducing the odds that violations will be observed, but also limit real-time monitoring of operations by inspectors. The explosion at the West, Texas fertilizer plant, which as last expected by OSHA in 1985, is one recent and vivid example. The best way to avoid another Deepwater Horizon spill is to increase monitoring and inspections, whether in areas currently open for drilling or the areas to be opened by the Transboundary Agreement.

Despite these tough new regulations, the U.S. lags behind the rest of the developed world when it comes to inspectors available and trained to inspect the oil and gas rigs off our coasts. The number of inspectors per offshore oil rig in other developed countries is as follows:

In the U.K., the inspector to rig ratio is 1: 2.78

In Norway, the inspector to rig ratio is 1:1.05

In the U.S., the inspector to rig ratio is **1: 29¹**

We urge Congress to increase funding for BSEE's inspection program, and thus increase the inspection rate of our off shore rigs. Doing so would make these rigs safer and create jobs. The Sierra Club would support such an amendment to H.R. 1613.

II. Civil Penalties Need to be Increased

The Sierra Club also feels that BSEE's civil penalties are too small to ensure compliance and deter risk taking by the oil and gas industry. The penalty for violating regulations is only \$40,000 per day, per incident. Considering that the daily operating costs of a drilling rig can range up to \$1 million, a \$40,000 a day fine is not an adequate disincentive.

We feel that raising the maximum fine BSEE can assess for civil penalties to a level comparable with operational costs is warranted, and should be added to H.R. 1613 and applied to the area opened for drilling in the Transboundary Agreement.

¹ "A review of the U.K. Safety Case Approach & Norway's Offshore Regulations" conducted by LCDR Marc Montemerlo, 2012

III. Applying the Final Drilling Safety Rule

The regulations in the Final Drilling Safety represent positive reforms that are an improvement from the pre-Deepwater Horizon statutes. However, we feel that some improvement is needed, and that these improvements should be amended to H.R. 1613.

Improved maintenance and training are both positive reforms that can reduce chances of equipment failure and operator error and thus increase safety. Yet of all the provisions in the Final Drilling Safety Rule, training and maintenance regulations are the most dependent on the robustness of BSEE's oversight and inspection capabilities. Maintenance is an ongoing concern that necessitates being frequently checked and inspected and training is only valuable if it translates into appropriate actions, which also requires continuous oversight to ensure.

The Final Drilling Safety Rule requires drilling wells to be equipped with two independent barriers to flow. If correctly installed, these barriers could in fact protect against blowouts. However, the requirements for two barriers to flow can easily be undermined by operator error. This problem is illustrated by the Deepwater Horizon disaster, where a cement job, a common barrier to flow, was compromised by numerous operator errors. With limited funds for inspection and oversight, and perverse economics that incentivize project speed over safety, it is likely that not all barriers will be properly installed.

The Sierra Club hopes that the Fish and Wildlife Service and the National Marine Fisheries Service will be consulted before drilling activity begins in the areas opened by the Transboundary Agreement to review the potential impacts to endangered species.

IV. No New Drilling

The government's most recent Five-Year Plan allows access to more than seventy-five percent of the estimated undiscovered, technically recoverable oil and gas resources on the U.S. Outer Continental Shelf, including in fragile ecosystems like the Arctic.² That is clearly enough to keep the industry busy given that the oil and gas industry is sitting on a large number of inactive leases in federal waters, proving H.R.1613 to be unnecessary.

According to a March 2011, U.S. Department of the Interior report, oil and gas companies hold more than 4,000 leases for which exploration or development plans have not been submitted or approved.³

V. Domestic Energy Jobs: Clean energy versus oil and gas drilling

The Sierra Club strongly feels that the best place to create domestic energy jobs is by focusing on renewable energy and energy efficiency. The renewable energy industry is providing clean, affordable, and reliable electricity across the United States. To support this industry, good green jobs are being created and they're overwhelmingly based here in the U.S. The sectors that have

² U.S. Department of the Interior. "Secretary Salazar announces 2012-2017 offshore oil and gas development program." 8 Nov. 2011. <http://www.doi.gov/news/pressreleases/Secretary-Salazar-Announces-2012-2017-Offshore-Oil-and-Gas-Development-Program.cfm>

³ U.S. Department of the Interior. "Oil and gas lease utilization – onshore and offshore." Mar. 2011.

demonstrated the most dramatic job growth are the wind, solar, and energy efficiency. In fact, every dollar invested in clean energy creates three times as many jobs as every dollar invested in oil and gas.⁴

Wind Industry:

The security of federal tax incentives such as the Production Tax Credit (PTC) has brought wind manufacturing facilities to the United States, creating jobs and fostering economic development across the country. Today, the wind industry employs 80,700 Americans and there are over 400 facilities, in 43 states, which create parts for wind turbines.⁵ These jobs are directly associated with wind energy project planning, siting, development, construction, manufacturing and supply chain, and operations. Of the 80,700 jobs at the end of 2012, approximately 25,500 were in the manufacturing sector. Texas led the nation in wind jobs with over 10,000 employed in the wind industry followed by California, Iowa, Illinois, and Kansas.

The wind industry estimates that if the PTC remains in place, they will create 54,000 additional American jobs in the next four years, including 46,000 manufacturing jobs. This rate of growth would keep the industry on track to support 500,000 jobs by 2030.⁶

Solar Industry:

For the third consecutive year, the U.S. solar industry continued its growth in 2012 and created jobs at a faster rate than the overall economy. As of September 2012, the solar industry employed 119,016 solar workers, a 13.2% growth in the solar workforce from revised figures for 2011. Of the nearly 14,000 jobs created in 2012, 86% of them are new jobs, rather than existing positions that have added solar responsibilities.⁷

The solar industry's growth is especially impressive given that the 12-month growth rate for the entire U.S. economy was only about 2.3%, which suggests that 1 out of every 230 new jobs in the U.S. economy was created in the solar industry this past year. During the same period, the fossil fuel electric generation industry shed 3,857 jobs, a decline of 3.77%.

Energy Efficiency:

The effects of energy efficiency job growth are powerful and multi-faceted. Earlier this year, the Alliance Commission on National Energy Efficiency Policy (ACNEEP) unveiled its policy recommendations that were based on the bold yet achievable goal of doubling U.S. energy productivity.

An independent analysis of this proposal by the Rhodium Group found that doubling our nation's energy productivity by 2030 could⁸:

- Cut average household energy costs by more than \$1,000 a year;

⁴http://www.peri.umass.edu/fileadmin/pdf/other_publication_types/green_economics/economic_benefits/economic_benefits.PDF

⁵ http://www.awea.org/suite/upload/AWEA_USWindIndustryAnnualMarketReport2012_ExecutiveSummary.pdf

⁶ http://www.awea.org/newsroom/pressreleases/Navigant_study.cfm

⁷ <http://thesolarfoundation.org/sites/thesolarfoundation.org/files/NSJC%202012%20Factsheet%20FINAL.pdf>

⁸ <http://www.ase.org/resources/energy-2030-impact-modeling>

- Save American businesses \$169 billion annually;
- Reduce government agency spending by \$13 billion a year;
- Create 1.3 million jobs and increase GDP by up to 2%;
- Decrease energy imports by more than \$100 billion annually; and,
- Reduce CO2 emissions by 33 percent below 2005 levels.

Conversely, the Deepwater Horizon spill dramatically demonstrated how drilling can hurt coastal economies, cost rather than create jobs, AND reduce receipts to state and local governments and businesses. Pollution and spills from off shore drilling will damage booming and economically vital coastal tourism economies. According to the World Tourism & Travel Council, tourism in America employs over 14.7 million people, 10 percent of the American workforce, and accounts for 8.8 percent of the national GDP, bringing in \$1.3 trillion. This makes America's coastal recreation and tourism industry the second largest employer in the nation. Our coast serves over 180 million Americans who make more than 2 billion trips to these areas every year. American tourism is a trillion dollar industry, and of that coastal communities alone contribute over \$700 billion annually to our economy. Oil spills and pollution from rigs, whether they occur in the central and western Gulf, or in the areas opened by the Transboundary Hydrocarbon Agreement, are not compatible with our nation's tourism and recreation economies, our oceans and waters, or our coastlines.